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South Tippah School District

Audited Financial Statements
For the Year Ended June 30, 2014

Fortenberry & Ballard, PC
Certified Public Accountants

**South Tippah School District
TABLE OF CONTENTS**

PAGE #

INDEPENDENT AUDITOR’S REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION 4

MANAGEMENT’S DISCUSSION AND ANALYSIS 8

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

Exhibit A - Statement of Net Position 19

Exhibit B - Statement of Activities 20

Governmental Funds Financial Statements

Exhibit C - Balance Sheet 21

Exhibit C-1- Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position 22

Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances 23

Exhibit D-1 - Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities 24

Fiduciary Funds Financial Statements

Exhibit E - Statement of Fiduciary Assets and Liabilities 25

Notes to the Financial Statements 27

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule - General Fund 43

Budgetary Comparison Schedule - School Food Service Fund 44

Notes to the Required Supplementary Information 46

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards 48

Schedule of Instructional, Administrative, and Other Expenditures - Governmental Funds 49

OTHER INFORMATION

Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years 51

Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years 52

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 54

Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133 56

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS 59

SCHEDULE OF FINDINGS AND QUESTIONED COSTS 62

FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL
STATEMENTS AND SUPPLEMENTARY INFORMATION

Superintendent and School Board
South Tippah School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Tippah School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the South Tippah School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the South Tippah School District, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8 to 17 and 43 to 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Tippah School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing

and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2014, on our consideration of the South Tippah School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Tippah School District's internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
November 4, 2014

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

SOUTH TIPPAH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

The following discussion and analysis of South Tappah School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2014 decreased \$824,851, which represents a 3.98% decrease from fiscal year 2013. Total net position for 2013 decreased \$236,115, which represents a 1.13% decrease from fiscal year 2012.
- General revenues amounted to \$17,931,638 and \$17,676,481, or 78.77% and 79.04% of all revenues for fiscal years 2014 and 2013, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,833,752, or 21.23% of total revenues for 2014, and \$4,688,848, or 20.96% of total revenues for 2013.
- The District had \$23,590,241 and \$22,601,444 in expenses for fiscal years 2014 and 2013; only \$4,833,752 for 2014 and \$4,688,848 for 2013 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$17,931,638 for 2014 and \$17,676,481 for 2013 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$17,905,550 in revenues and \$18,874,933 in expenditures for 2014, and \$17,475,573 in revenues and \$18,163,087 in expenditures in 2013. The General Fund's fund balance decreased by \$675,768 from 2013 to 2014, and decreased by \$522,539 from 2012 to 2013.
- Capital assets, net of accumulated depreciation, decreased by \$8,786 for 2014 and increased by \$202,716 for 2013.
- Long-term debt increased by \$163,091 for 2014 and decreased by \$9,206 for 2013. This increase for 2014 was due primarily to the issuance of three mill notes payable in the amount of \$290,000 and principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$6,174 for 2014 and decreased by \$14,970 for 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements, which include government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplementary information, supplementary information, and other information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances. These statements consist of the Statement of Net Position and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position presents information on all the District's nonfiduciary assets and liabilities, with the differences between the two reported as "net position." Over time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

SOUTH TIPPAH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional and interest on long-term liabilities.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds – Most of the District's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Position, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All non-major funds are combined and presented in these reports as other governmental funds.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. These funds are reported using the accrual basis of accounting. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Reconciliation of Government-wide and Fund Financial Statements

The financial statements include two schedules that reconcile the amounts reported on the governmental funds financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

Capital assets used in governmental activities are not reported on governmental funds financial statements.

SOUTH TIPPAH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

Capital outlay spending results in capital assets on government-wide financial statements, but is reported as expenditures on the governmental funds financial statements.

Bond and note proceeds result in liabilities on government-wide financial statements, but are recorded as other financing sources on the governmental funds financial statements.

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

Other Information

Although not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$19,889,847 as of June 30, 2014.

The District's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

**SOUTH TIPPAH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

Table 1 presents a summary of the District's net position at June 30, 2014 and June 30, 2013.

**Table 1
Condensed Statement of Net Position**

	June 30, 2014	June 30, 2013	Percentage Change
Current assets	\$ 3,707,283	\$ 4,308,036	-13.94 %
Restricted assets	557,993	415,166	34.40 %
Capital assets, net	18,612,407	18,621,193	-0.05 %
Total assets	22,877,683	23,344,395	-2.00 %
Current liabilities	380,765	179,543	112.07 %
Long-term debt outstanding	2,607,071	2,450,154	6.40 %
Total liabilities	2,987,836	2,629,697	13.62 %
Net position:			
Net investment in capital assets	16,322,407	16,621,193	-1.80 %
Restricted	1,239,727	1,208,368	2.60 %
Unrestricted	2,327,713	2,885,137	-19.32 %
Total net position	\$ 19,889,847	\$ 20,714,698	-3.98 %

The following are significant current year transactions that have had an impact on the Statement of Net Position.

- Decrease in net capital assets in the amount of \$8,786.
- The principal retirement of \$126,909 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$22,765,390 and \$22,365,329, respectively. The total cost of all programs and services was \$23,590,241 for 2014 and \$22,601,444 for 2013.

SOUTH TIPPAH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

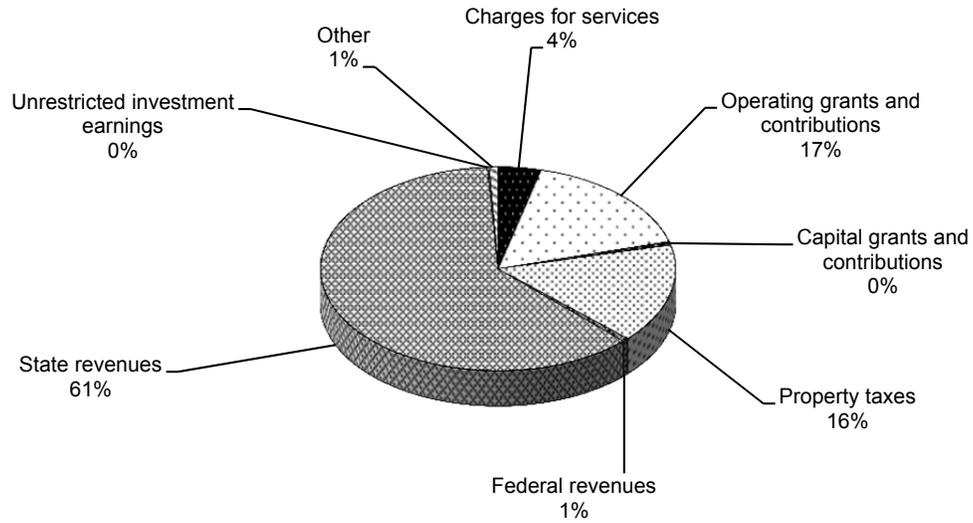
Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2014 and June 30, 2013.

Table 2
Changes in Net Position

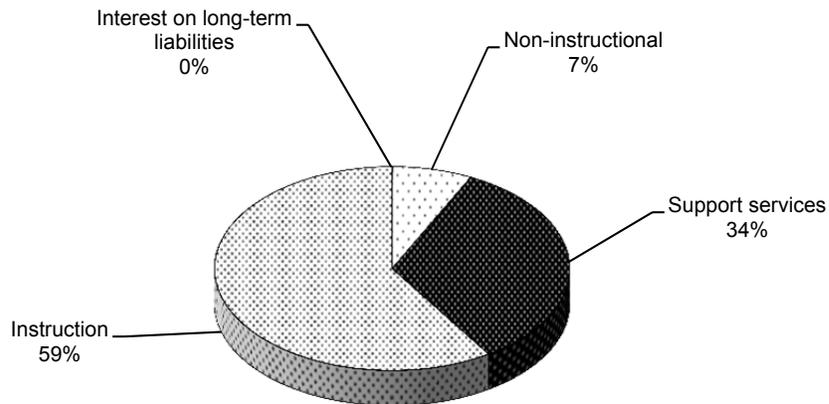
	<u>Year Ended</u> <u>June 30, 2014</u>	<u>Year Ended</u> <u>June 30, 2013</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 884,672	\$ 758,349	16.66 %
Operating grants and contributions	3,823,429	3,764,571	1.56 %
Capital Grants and Contributions	125,651	165,928	-24.27 %
General revenues:			
Property taxes	3,585,889	3,497,916	2.52 %
Grants and contributions not restricted	14,131,048	13,965,751	1.18 %
Investment earnings	30,349	41,004	-25.99 %
Other	184,352	171,810	7.30 %
Total revenues	22,765,390	22,365,329	1.79 %
Expenses:			
Instruction	13,942,618	13,376,022	4.24 %
Support services	7,911,252	7,610,434	3.95 %
Non-instructional	1,712,353	1,607,567	6.52 %
Interest on long-term liabilities	24,018	7,421	223.65 %
Total expenses	23,590,241	22,601,444	4.37 %
Increase (Decrease) in net position	(824,851)	(236,115)	249.34 %
Net Position, July 1	20,714,698	20,950,813	-1.13 %
Net Position, June 30	\$ 19,889,847	\$ 20,714,698	-3.98 %

**SOUTH TIPPAH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

**Figure 1
Sources of Revenues for Fiscal Year 2014**



**Figure 2
Expenses for Fiscal Year 2014**



SOUTH TIPPAH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

Governmental activities

The following table presents the cost of four major District functional activities: instruction, support services, non-instructional, and interest on long-term liabilities. The table also shows each functional activity's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost presents the financial burden that was placed on the State and District's taxpayers by each of these functions.

Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2014</u>	<u>2013</u>	
Instruction	\$ 13,942,618	\$ 13,376,022	4.24 %
Support services	7,911,252	7,610,434	3.95 %
Non-instructional	1,712,353	1,607,567	6.52 %
Interest on long-term liabilities	24,018	7,421	223.65 %
Total expenses	<u>\$ 23,590,241</u>	<u>\$ 22,601,444</u>	4.37 %
	<u>Net (Expense) Revenue</u>		
	<u>2014</u>	<u>2013</u>	<u>Percentage Change</u>
Instruction	\$ (11,347,128)	\$ (10,844,387)	4.64 %
Support services	(7,098,173)	(6,854,894)	3.55 %
Non-instructional	(287,170)	(205,894)	39.47 %
Interest on long-term liabilities	(24,018)	(7,421)	223.65 %
Total net (expense) revenue	<u>\$ (18,756,489)</u>	<u>\$ (17,912,596)</u>	4.71 %

- Net cost of governmental activities (\$18,756,489 for 2014 and \$17,912,596 for 2013) was financed by general revenue, which is primarily made up of property taxes (\$3,585,889 for 2014 and \$3,497,916 for 2013) and state and federal revenues (\$14,131,048 for 2014 and \$13,965,751 for 2013).
- Investment earnings amounted to \$30,349 for 2014 and \$41,004 for 2013.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$3,894,390, a decrease of \$641,355, which includes a decrease in inventory of \$3,499. \$1,185,399 or 30.44% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted or assigned to specific purposes within the general fund. The remaining fund balance of \$2,708,991 or 69.56% is either

SOUTH TIPPAAH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$675,768. The fund balance of Other Governmental Funds showed an increase in the amount of \$65,348. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>		<u>Increase (Decrease)</u>
School Food Service Fund	\$	(177,870)
QSCB Debt Retirement Fund	\$	146,935

BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District.

- Budget amounts for General Fund revenue from local sources overestimated ad valorem tax revenues by \$48,553.
- Budget amounts for General Fund revenue from local sources overestimated interest on cash revenues by \$15,724.
- Budget amounts for General Fund revenue from local sources underestimated student activities revenues by \$74,349.
- Budget amounts for General Fund revenue from local sources underestimated contributions revenues by \$44,244.
- Budget amounts for General Fund revenue from state sources underestimated MAEP revenues by \$69,760.
- Budget amounts for General Fund revenue from federal sources underestimated e-rate revenues by \$40,385.
- Original budget amounts for General Fund other financing sources did not take into account the three mill note proceeds in the amount of \$290,000.
- Original budget amounts for School Food Service Fund other financing sources did not take into account indirect cost in the amount of \$100,120.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and major special revenue funds is provided in this report as required supplementary information.

SOUTH TIPPAH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2014, the District's total capital assets were \$28,305,311, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment. This amount represents an increase of \$643,926 from 2013. Total accumulated depreciation as of June 30, 2014, was \$9,692,904, and total depreciation expense for the year was \$732,618, resulting in total net capital assets of \$18,612,407.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Land	\$ 238,944	\$ 238,944	0.00 %
Construction in Progress	-	309,310	-100.00 %
Buildings	15,368,911	15,759,597	-2.48 %
Building improvements	428,078	459,244	-6.79 %
Improvements other than buildings	1,327,159	738,457	79.72 %
Mobile equipment	903,715	804,107	12.39 %
Furniture and equipment	345,600	311,534	10.93 %
Total	<u>\$ 18,612,407</u>	<u>\$ 18,621,193</u>	-0.05 %

Additional information on the District's capital assets can be found in Note 5 included in this report.

Debt Administration. At June 30, 2014, the District had \$2,607,071 in outstanding long-term debt, of which \$229,009 is due within one year. The liability for compensated absences decreased \$6,174 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Three mill notes payable	\$ 290,000	\$ -	
Shortfall notes payable	129,731	256,640	-49.45 %
Qualified school construction bonds payable	2,000,000	2,000,000	0.00 %
Compensated absences payable	187,340	193,514	-3.19 %
Total	<u>\$ 2,607,071</u>	<u>\$ 2,450,154</u>	6.40 %

Additional information on the District's long-term debt can be found in Note 6 included in this report.

**SOUTH TIPPAAH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT ISSUES

The South Tippah School District is financially stable. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting and an internal financial control is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

The District actively pursues grant funding to supplement the local, state and federal revenues.

Enrollment for the 2013-2014 year increased by 1.74% to 2,874 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the South Tippah School District, 402 Greenlee Avenue, Ripley, MS 38663.

FINANCIAL STATEMENTS

SOUTH TIPPAH SCHOOL DISTRICT

Statement of Net Position
June 30, 2014

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 2,912,915
Due from other governments	765,485
Accrued interest receivable	6,109
Inventories	22,774
Restricted assets	557,993
Capital assets, non-depreciable:	
Land	238,944
Capital assets, net of accumulated depreciation:	
Buildings	15,368,911
Building improvements	428,078
Improvements other than buildings	1,327,159
Mobile equipment	903,715
Furniture and equipment	345,600
Total Assets	22,877,683
Liabilities	
Accounts payable and accrued liabilities	367,700
Unearned revenue	3,186
Interest payable on long-term liabilities	9,879
Long-term liabilities, due within one year:	
Capital related liabilities	144,000
Non-capital related liabilities	85,009
Long-term liabilities, due beyond one year:	
Capital related liabilities	2,146,000
Non-capital related liabilities	232,062
Total Liabilities	2,987,836
Net Position	
Net Investment in Capital Assets	16,322,407
Restricted for:	
Expendable:	
School-based activities	412,040
Debt service	772,090
Unemployment benefits	55,597
Unrestricted	2,327,713
Total Net Position	\$ 19,889,847

The notes to the financial statements are an integral part of this statement.

SOUTH TIPPAH SCHOOL DISTRICT

**Statement of Activities
For the Year Ended June 30, 2014**

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 13,942,618	\$ 616,876	\$ 1,972,415	\$ 6,199	\$ (11,347,128)
Support services	7,911,252	-	760,469	52,610	(7,098,173)
Non-instructional	1,712,353	267,796	1,090,545	66,842	(287,170)
Interest on long-term liabilities	24,018	-	-	-	(24,018)
Total Governmental Activities	\$ 23,590,241	\$ 884,672	\$ 3,823,429	\$ 125,651	\$ (18,756,489)
General Revenues:					
Taxes:					
General purpose levies					3,292,450
Debt purpose levies					293,439
Unrestricted grants and contributions:					
State					13,999,777
Federal					131,271
Unrestricted investment earnings					30,349
Other					184,352
Total General Revenues					17,931,638
Change in Net Position					(824,851)
Net Position - Beginning					20,714,698
Net Position - Ending					\$ 19,889,847

The notes to the financial statements are an integral part of this statement.

SOUTH TIPPAH SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2014

Exhibit C

	Major Funds				Total Governmental Funds
	General Fund	School Food Service Fund	QSCB Debt Retirement Fund	Other Governmental Funds	
Assets					
Cash and cash equivalents	\$ 2,095,318	\$ 446,182	\$ -	\$ 371,415	\$ 2,912,915
Investments	-	-	557,993	-	557,993
Due from other governments	534,994	-	-	230,491	765,485
Accrued interest receivable	1,694	229	4,108	78	6,109
Due from other funds	255,821	-	-	-	255,821
Inventories	-	22,774	-	-	22,774
Total assets	<u>\$ 2,887,827</u>	<u>\$ 469,185</u>	<u>\$ 562,101</u>	<u>\$ 601,984</u>	<u>\$ 4,521,097</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 243,043	\$ 53,664	\$ -	\$ 70,993	\$ 367,700
Due to other funds	-	100,120	-	155,701	255,821
Unearned revenue	-	-	-	3,186	3,186
Total Liabilities	<u>243,043</u>	<u>153,784</u>	<u>-</u>	<u>229,880</u>	<u>626,707</u>
Fund Balances:					
Nonspendable:					
Inventory	-	22,774	-	-	22,774
Restricted:					
Debt service	-	-	562,101	219,868	781,969
Unemployment benefits	-	-	-	55,597	55,597
Other purposes	-	292,627	-	17,047	309,674
Assigned:					
Capital improvements	1,318,331	-	-	-	1,318,331
Other purposes	141,054	-	-	79,592	220,646
Unassigned	<u>1,185,399</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,185,399</u>
Total Fund Balances	<u>2,644,784</u>	<u>315,401</u>	<u>562,101</u>	<u>372,104</u>	<u>3,894,390</u>
Total Liabilities and Fund Balances	<u>\$ 2,887,827</u>	<u>\$ 469,185</u>	<u>\$ 562,101</u>	<u>\$ 601,984</u>	<u>\$ 4,521,097</u>

The notes to the financial statements are an integral part of this statement.

SOUTH TIPPAH SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2014**

Exhibit C-1

Total fund balances for governmental funds \$ 3,894,390

Amounts reported for governmental activities in the statement of net position are different because:

1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Land	\$ 238,944	
Buildings	20,979,186	
Building improvements	878,552	
Improvements other than buildings	1,664,083	
Mobile equipment	3,187,933	
Furniture and equipment	1,356,613	
Accumulated depreciation	<u>(9,692,904)</u>	18,612,407

2. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:

Qualified school construction bonds	(2,000,000)	
Notes payable	(419,731)	
Accrued interest payable	(9,879)	
Compensated absences payable	<u>(187,340)</u>	(2,616,950)

Net position of governmental activities \$ 19,889,847

The notes to the financial statements are an integral part of this statement.

SOUTH TIPPAH SCHOOL DISTRICT

Governmental Funds

**Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2014**

Exhibit D

	Major Funds				Total Governmental Funds
	General Fund	School Food Service Fund	QSCB Debt Retirement Fund	Other Governmental Funds	
Revenues:					
Local sources	\$ 3,829,211	\$ 272,705	\$ 11,988	\$ 531,925	\$ 4,645,829
Intermediate sources	-	18,000	-	-	18,000
State sources	13,945,068	15,324	-	798,892	14,759,284
Federal sources	131,271	1,320,581	-	1,868,993	3,320,845
Total Revenues	17,905,550	1,626,610	11,988	3,199,810	22,743,958
Expenditures:					
Instruction	11,456,183	-	-	2,209,265	13,665,448
Support services	6,797,430	236,262	-	740,960	7,774,652
Noninstructional services	275,365	1,464,944	-	13,506	1,753,815
Facilities acquisition and construction	345,955	-	-	-	345,955
Debt service:					
Principal	-	-	-	126,909	126,909
Interest	-	-	-	7,699	7,699
Other	-	-	1,030	-	1,030
Total Expenditures	18,874,933	1,701,206	1,030	3,098,339	23,675,508
Excess (Deficiency) of Revenues over (under) Expenditures	(969,383)	(74,596)	10,958	101,471	(931,550)
Other Financing Sources (Uses):					
Notes issued	290,000	-	-	-	290,000
Payment to escrow agent	-	-	-	(135,977)	(135,977)
Sale of transportation equipment	3,349	-	-	-	3,349
Sale of other property	-	345	-	-	345
Operating transfers in	110,365	-	-	110,099	220,464
Payments held by escrow agents	-	-	135,977	-	135,977
Operating transfers out	(110,099)	(100,120)	-	(10,245)	(220,464)
Total Other Financing Sources (Uses)	293,615	(99,775)	135,977	(36,123)	293,694
Net Change in Fund Balances	(675,768)	(174,371)	146,935	65,348	(637,856)
Fund Balances:					
July 1, 2013	3,320,552	493,271	415,166	306,756	4,535,745
Increase (Decrease) in inventory	-	(3,499)	-	-	(3,499)
June 30, 2014	\$ 2,644,784	\$ 315,401	\$ 562,101	\$ 372,104	\$ 3,894,390

The notes to the financial statements are an integral part of this statement.

SOUTH TIPPAH SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2014**

Exhibit D-1

Net change in fund balances - total governmental funds **\$ (637,856)**

Amounts reported for governmental activities in the statement of activities are different because:

- Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 732,157	
Depreciation expense	<u>(732,618)</u>	(461)

- In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold.

(8,325)

- The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Notes issued	(290,000)	
Payments of debt principal	126,909	
Bond issuance costs were expensed based on new GASB Statement 65 implementation	(14,739)	
Accrued interest payable	<u>(3,054)</u>	<u>(180,884)</u>

- Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

Change in compensated absences	6,174	
Change in inventory	<u>(3,499)</u>	2,675

Change in net position of governmental activities **\$ (824,851)**

The notes to the financial statements are an integral part of this statement.

SOUTH TIPPAH SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities
June 30, 2014

Exhibit E

	Agency Funds
Assets	
Cash and cash equivalents	\$ 785,427
Total Assets	\$ 785,427
 Liabilities	
Accounts payable and accrued liabilities	\$ 719,878
Due to student clubs	65,549
Total Liabilities	\$ 785,427

The notes to the financial statements are an integral part of this statement.

South Tippah School District

Notes to the Financial Statements
June 30, 2014

SOUTH TIPPAH SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies

The accompanying financial statements of the school district have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the school district's accounting policies are described below.

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board to which each member is elected by the citizens of each defined county district.

For financial reporting purposes, South Tippah School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among

SOUTH TIPPAH SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2014

program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

School Food Service Fund - This fund accounts for food distribution under the national school breakfast and lunch programs.

QSCB Debt Retirement Fund - This fund accounts for Qualified School Construction Bonds issued.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

The District's fiduciary funds include the following:

Payroll Clearing Fund - This fund is used as a clearing account for payroll and payroll related transactions.

Accounts Payable Clearing Fund - This fund is used as a clearing account for non-payroll transactions.

School Club Funds - These funds are used to account for the transactions of student clubs.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Funds - Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Funds - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

FIDUCIARY FUNDS

Agency Funds - Agency Funds are used to report resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

SOUTH TIPPAH SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2014

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Property taxes, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual.

Ad valorem property taxes are levied by the governing authority of the county on behalf of the school district based upon an order adopted by the school board of the school district requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the school district, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The effect of inter-fund activity has been eliminated from the government-wide statements.

Revenues from the Mississippi Adequate Education Program are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003*, issued by the U.S. Department of Education.

SOUTH TIPPAH SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2014

D. Encumbrances

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

E. Assets, liabilities, and net position/fund balances

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

Investments

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired.

Investments for the district are reported at fair market value.

2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e. the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Due from Other Governments

Due from other governments represents amounts due from the State of Mississippi and various grants and reimbursements from other governments.

4. Inventories and Prepaid Items

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis). The costs of governmental fund type inventories are reported as expenditures when purchased.

Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

SOUTH TIPPAH SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2014

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified School Construction Bond sinking funds.

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

Capital acquisition and construction are reflected as expenditures in the Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements.

Depreciation is calculated on the straight-line basis for all assets, except land.

The following schedule details the capitalization thresholds:

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 5 for details.

7. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

The liability for these compensated absences is recorded as a long-term liability in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report the liability for

SOUTH TIPPAH SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2014

compensated absences from expendable available financial resources only if the payable has matured, for example, an employee retires.

8. Long-term Liabilities and Bond Discounts/Premiums

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond discounts or premiums and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 6 for details.

9. Fund Balances

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the district:

Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. Currently there is no committed fund balance for this school district.

Assigned fund balance includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the school board pursuant to authorization established by state law.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general

SOUTH TIPPAH SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2014

policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 7% of district maintenance revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

10. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Estimates are used when accounting for reliability of receivables and depreciation. Accordingly, actual results could differ from those estimates.

Note 2 – Cash and Cash Equivalents and Investments

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits and investments are imposed by statutes as follows:

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer ; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects) and bond sinking funds (Debt Service Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$2,912,915 and \$785,427, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above

SOUTH TIPPAH SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2014

FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2014, none of the district's bank balance of \$5,245,660 was exposed to custodial credit risk.

Investments

As of June 30, 2014, the district had the following investments in a sinking fund restricted for the payment of its Qualified School Construction Bonds described in Note 10.

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Government securities	AAA	11	\$ <u>557,993</u>

Interest Rate Risk. The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The district does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2014, the district did not have any investments to which this would apply. These investments are uninsured and unregistered and are not backed by the full faith and credit of the federal government.

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments.

Note 3 – Inter-fund Receivables, Payables and Transfers

The following is a summary of inter-fund transactions and balances:

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	School food service fund	\$ 100,120
	Other governmental funds	<u>155,701</u>
Total		<u>\$ 255,821</u>

Interfund receivables and payables consist primarily of loans from the General Fund to various special revenue funds to cover cash deficits in pooled bank accounts.

SOUTH TIPPAH SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2014

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 110,099
School food service fund	General Fund	100,120
Other governmental funds	General Fund	10,245
Total		<u>\$ 220,464</u>

Interfund transfers were made for budgetary purposes and for the payment of indirect costs.

Note 4 – Restricted Assets

The restricted assets represent the investment balance of \$557,993 in the QSCB Bond Retirement Fund described in Note 10.

Note 5 – Capital Assets

The following is a summary of changes in capital assets for governmental activities:

	Balance 7/1/2013	Increases	Decreases	Completed Construction	Balance 6/30/2014
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 238,944	-	-		238,944
Construction in progress	309,310	153,321	-	(462,631)	-
Total non-depreciable capital assets	<u>548,254</u>	<u>153,321</u>	<u>-</u>	<u>(462,631)</u>	<u>238,944</u>
<u>Depreciable capital assets:</u>					
Buildings	20,979,186	-	-		20,979,186
Building improvements	878,552	-	-		878,552
Improvements other than buildings	1,008,818	192,634	-	462,631	1,664,083
Mobile equipment	3,017,876	252,751	82,694		3,187,933
Furniture and equipment	1,228,699	133,451	5,537		1,356,613
Total depreciable capital assets	<u>27,113,131</u>	<u>578,836</u>	<u>88,231</u>	<u>462,631</u>	<u>28,066,367</u>
<u>Less accumulated depreciation for:</u>					
Buildings	5,219,589	390,686	-		5,610,275
Building improvements	419,308	31,166	-		450,474
Improvements other than buildings	270,361	66,563	-		336,924
Mobile equipment	2,213,769	144,874	74,425		2,284,218
Furniture and equipment	917,165	99,329	5,481		1,011,013
Total accumulated depreciation	<u>9,040,192</u>	<u>732,618</u>	<u>79,906</u>	<u>-</u>	<u>9,692,904</u>
Total depreciable capital assets, net	<u>18,072,939</u>	<u>(153,782)</u>	<u>8,325</u>	<u>462,631</u>	<u>18,373,463</u>
Governmental activities capital assets, net	<u>\$ 18,621,193</u>	<u>(461)</u>	<u>8,325</u>	<u>-</u>	<u>18,612,407</u>

SOUTH TIPPAH SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2014

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 266,986
Support services	443,193
Non-instructional	22,439
Total depreciation expense - Governmental activities	\$ 732,618

Note 6 – Long-term Liabilities

The following is a summary of changes in long-term liabilities and other obligations for governmental activities:

	Balance 7/1/2013	Additions	Reductions	Balance 6/30/2014	Amounts due within one year
A. Three mill notes payable	\$ -	290,000	-	290,000	144,000
B. Shortfall notes payable	256,640	-	126,909	129,731	85,009
C. Qualified school construction bonds payable	2,000,000	-	-	2,000,000	-
D. Compensated absences payable	193,514	-	6,174	187,340	-
Total	\$ 2,450,154	290,000	133,083	2,607,071	229,009

A. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Limited Tax Note, Series 2013	2.25%	7/1/2013	7/1/2015	\$ 290,000	\$ 290,000

The following is a schedule by years of the total payments due on this debt:

Year Ending June 30	Principal	Interest	Total
2015	\$ 144,000	\$ 6,525	\$ 150,525
2016	146,000	3,285	149,285
Total	\$ 290,000	\$ 9,810	\$ 299,810

This debt will be retired from the Three Mill Notes Debt Service Fund.

SOUTH TIPPAH SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2014

B. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Revenue Shortfall Note Series 2011-A	3.00%	8/16/2011	8/16/2014	\$ 103,919	\$ 35,668
2. Revenue Shortfall Note Series 2011-B	3.00%	8/16/2011	8/16/2014	17,257	5,923
3. Revenue Shortfall Note Series 2012	3.00%	8/21/2012	8/21/2015	130,293	88,140
Total				<u>\$ 251,469</u>	<u>\$ 129,731</u>

The following is a schedule by years of the total payments due on this debt:

1. Revenue Shortfall Note Series 2011-A:

Year Ending June 30	Principal	Interest	Total
2015	\$ 35,668	\$ 1,070	\$ 36,738

This debt will be retired from the Shortfall Notes Debt Service Fund.

2. Revenue Shortfall Notes Series 2011-B:

Year Ending June 30	Principal	Interest	Total
2015	\$ 5,923	\$ 178	\$ 6,101

This debt will be retired from the Shortfall Notes Debt Service Fund.

3. Revenue Shortfall Notes Series 2012:

Year Ending June 30	Principal	Interest	Total
2015	\$ 43,418	\$ 2,645	\$ 46,063
2016	44,722	1,341	46,063
Total	<u>\$ 88,140</u>	<u>\$ 3,986</u>	<u>\$ 92,126</u>

This debt will be retired from the Shortfall Notes Debt Service Fund.

Total shortfall notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2015	\$ 85,009	\$ 3,893	\$ 88,902
2016	44,722	1,341	46,063
Total	<u>\$ 129,731</u>	<u>\$ 5,234</u>	<u>\$ 134,965</u>

SOUTH TIPPAH SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2014

C. Qualified school construction bonds payable

As more fully explained in Note 10, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Qualified School Construction Bonds					
Limited-Tax Note, Series 2009	0.00%	09/15/2009	09/15/2023	\$ 2,000,000	\$ 2,000,000

D. Compensated absences payable

As more fully explained in Note 1(E)(7), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

Note 7 – Defined Benefit Pension Plan

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2014 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2014, 2013 and 2012 were \$1,957,608, \$1,733,364 and \$1,481,599, respectively, which equaled the required contributions for each year.

Note 8 – Contingencies

Federal Grants – The school district has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the school district.

Litigation – The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings. However, the school district's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

SOUTH TIPPAH SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2014

Note 9 – Risk Management

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except as described below, the district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 94 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

Note 10 – Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs. While Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2014 was \$557,993. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

SOUTH TIPPAH SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2014

Year Ending June 30	Amount
2015	\$ 122,000
2016	122,000
2017	122,000
2018	122,000
2019	122,000
2020 – 2024	610,000
Total	<u>\$ 1,220,000</u>

The EEF Buildings and Buses revenue has been pledged for this debt. On November 9, 2009, the South Tippah School Board pledged its EEF Building and Buses revenue of \$73,774 annually for payment on the Qualified School Construction Bonds loan, subject to any prior pledge for the benefit of any obligation that is currently outstanding. The debt issued was for the purpose of construction, repairs, and equipment for the school district. The commitment began with fiscal year 2011 and ends with fiscal year 2025. The revenue from the state varies from year to year. For fiscal year 2014, the EEF revenue was \$83,546 and \$67,509 of these funds were applied to the required sinking fund payment. The remainder of the sinking fund payment of \$68,468 was paid with ad valorem taxes levied for the repayment of debt and with interest earnings in the sinking fund.

Note 11 – Alternative School Consortium

The school district entered into an Alternative School Agreement dated March 20, 1996 and revised October 1999, creating the New Albany, South Tippah, Union County Behavioral Management School. This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the New Albany School District, the South Tippah School District and the Union County School District.

Section 37-13-92 (6), Miss. Code Ann. (1972), allows two or more adjacent school districts to enter into a contract to operate an alternative school program. The school board of the school district designated by the agreement as the lead district will serve as the governing board of the alternative school program. Transportation for students attending the alternative school program will be the responsibility of the individual school district sending the students.

The New Albany School District has been designated as the lead school district for the New Albany, South Tippah, Union County Behavioral Management School, and the operations of the consortium are included in its financial statements.

Note 12 – Vocational School Consortium

The school district entered into a Vocational Educational Agreement dated August 24, 1981, creating the South Tippah County Vocational-Technical Center. This consortium was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the North Tippah School District and the South Tippah School District. The name of the center has been changed to the Tippah Career and Technology Center.

Section 37-31-73, Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional vocational education center. Any such agreement should provide for a designated fiscal agent, providing the method of financing the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed and detail procedures for student admission and transportation services for those students.

SOUTH TIPPAH SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2014

The South Tippah School District has been designated as the fiscal agent for the Tippah Career and Technology Center, and the operations of the consortium are included in its financial statements.

The following Statement of Revenues, Expenditures and Changes in Fund Balances is presented to detail the financial activity of the Tippah Career and Technology Center.

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds For the Year Ended June 30, 2014

Revenues

Local sources:	
Taxes	\$ 237,125
Interest	537
Miscellaneous	140
Total local sources	<u>237,802</u>
State sources	<u>428,699</u>
Total Revenues	<u><u>666,501</u></u>

Expenditures

Salaries	441,555
Employee benefits	146,112
Purchased property services	40,495
Other purchased services	50,808
Supplies	25,927
Furniture and Equipment	2,079
Total Expenditures	<u>706,976</u>
Excess of Revenues Over Expenditures	<u>(40,475)</u>
Net Change in Fund Balance	<u>(40,475)</u>
Fund Balance:	
July 1, 2013	<u>120,067</u>
June 30, 2014	<u><u>\$ 79,592</u></u>

Note 13 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the South Tippah School District evaluated the activity of the district through the date the financial statements were available to be issued, and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements:

On September 23, 2014, the South Tippah School District issued Shortfall notes in the principal amount of \$80,300, bearing interest at 2.00%.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH TIPPAAH SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 3,773,378	\$ 3,829,211	\$ 3,829,211	\$ 55,833	\$ -
State sources	13,871,709	13,932,832	13,945,068	61,123	12,236
Federal sources	90,000	143,507	131,271	53,507	(12,236)
Total Revenues	17,735,087	17,905,550	17,905,550	170,463	-
Expenditures:					
Instruction	11,601,616	11,456,183	11,456,183	145,433	-
Support services	6,744,278	6,797,430	6,797,430	(53,152)	-
Noninstructional services	217,500	275,365	275,365	(57,865)	-
Facilities acquisition and construction	117,000	345,955	345,955	(228,955)	-
Total Expenditures	18,680,394	18,874,933	18,874,933	(194,539)	-
Excess (Deficiency) of Revenues over (under) Expenditures	(945,307)	(969,383)	(969,383)	(24,076)	-
Other Financing Sources (Uses):					
Notes issued		290,000	290,000	290,000	-
Sale of transportation equipment		3,349	3,349	3,349	-
Operating transfers in	164,851	110,365	110,365	(54,486)	-
Operating transfers out	(164,851)	(93,724)	(110,099)	71,127	(16,375)
Total Other Financing Sources (Uses)	-	309,990	293,615	309,990	(16,375)
Net Change in Fund Balances	(945,307)	(659,393)	(675,768)	285,914	(16,375)
Fund Balances:					
July 1, 2013	3,320,552	3,320,552	3,320,552	-	-
June 30, 2014	\$ 2,375,245	\$ 2,661,159	\$ 2,644,784	\$ 285,914	\$ (16,375)

The notes to the required supplementary information are an integral part of this schedule.

SOUTH TIPPAH SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
School Food Service Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 291,000	\$ 272,705	\$ 272,705	\$ (18,295)	-
Intermediate sources	-	18,000	18,000	18,000	-
State sources	15,000	15,324	15,324	324	-
Federal sources	1,305,530	1,320,581	1,320,581	15,051	-
Total Revenues	1,611,530	1,626,610	1,626,610	15,080	-
Expenditures:					
Support services	266,836	236,262	236,262	30,574	-
Noninstructional services	1,433,075	1,464,944	1,464,944	(31,869)	-
Total Expenditures	1,699,911	1,701,206	1,701,206	(1,295)	-
Excess (Deficiency) of Revenues over (under) Expenditures	(88,381)	(74,596)	(74,596)	13,785	-
Other Financing Sources (Uses):					
Sale of other property		345	345	345	-
Operating transfers out		(100,120)	(100,120)	(100,120)	-
Total Other Financing Sources (Uses)	-	(99,775)	(99,775)	(99,775)	-
Net Change in Fund Balances	(88,381)	(174,371)	(174,371)	(85,990)	-
Fund Balances:					
July 1, 2013,	493,271	493,271	493,271	-	-
Increase (Decrease) in inventory		(3,499)	(3,499)	(3,499)	-
June 30, 2014	\$ 404,890	\$ 315,401	\$ 315,401	\$ (89,489)	-

The notes to the required supplementary information are an integral part of this schedule.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

South Tippah School District

Notes to the Required Supplementary Information
For the Year Ended June 30, 2014

Budgetary Comparison Schedules

(1) Basis of Presentation

The Budgetary Comparison Schedules present the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

(2) Budget Amendments and Revisions

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15. A budgetary comparison is presented for the General Fund and each major Special Revenue Fund consistent with accounting principles generally accepted in the United States of America.

SUPPLEMENTARY INFORMATION

SOUTH TIPPAH SCHOOL DISTRICT
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2014

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U. S. DEPARTMENT OF AGRICULTURE</u>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 323,436
National School Lunch Program	10.555	997,146
Total child nutrition cluster		<u>1,320,582</u>
Total passed-through Mississippi Department of Education		<u>1,320,582</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE		<u><u>1,320,582</u></u>
<u>FEDERAL COMMUNICATIONS COMMISSION</u>		
Administered through the Universal Service Administrative Company:		
The School and Libraries Program of the Universal Service Fund	32.xxx	65,385
TOTAL FEDERAL COMMUNICATIONS COMMISSION		<u><u>65,385</u></u>
<u>U. S. DEPARTMENT OF EDUCATION</u>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	615,067
Career and Technical Education - Basic Grants to States	84.048	41,459
Twenty-First Century Community Learning Centers	84.287	370,496
Rural Education	84.358	28,440
English Language Acquisition Grants	84.365	52,281
Improving Teacher Quality - State Grants	84.367	148,877
Subtotal		<u>1,256,620</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	591,813
Special Education - Preschool Grants	84.173	34,754
Total Special Education Cluster		<u>626,567</u>
Total passed-through the Mississippi Department of Education		<u>1,883,187</u>
TOTAL U. S. DEPARTMENT OF EDUCATION		<u><u>1,883,187</u></u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>		
Passed-through Mississippi Department of Education:		
Medical Assistance Program	93.778	12,414
Total passed-through Mississippi Department of Education		<u>12,414</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u><u>12,414</u></u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>		
Passed-through Mississippi Department of Transportation:		
Highway Planning and Construction	20.205	2,180
Total passed-through Mississippi Department of Transportation		<u>2,180</u>
TOTAL U. S. DEPARTMENT OF TRANSPORTATION		<u><u>2,180</u></u>
TOTAL FOR ALL FEDERAL AWARDS		<u><u>\$ 3,283,748</u></u>

Notes to Schedule

1. This schedule was prepared using the same basis of accounting and significant accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

SOUTH TIPPAH SCHOOL DISTRICT

Supplementary Information

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2014**

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 17,340,203	13,696,707	618,595	1,170,794	1,854,107
Other	6,335,305	1,937,761	211,146	81,110	4,105,288
Total	<u>\$ 23,675,508</u>	<u>15,634,468</u>	<u>829,741</u>	<u>1,251,904</u>	<u>5,959,395</u>
Total number of students *	<u>2,502</u>				
Cost per student	<u>\$ 9,463</u>	<u>6,249</u>	<u>332</u>	<u>500</u>	<u>2,382</u>

For purposes of this schedule, the following columnar descriptions are applicable:

Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type.

General Administration - includes expenditures for the following functions: Support Services - General Administration and Support Services - Business.

School Administration - includes expenditures for the following function: Support Services - School Administration.

Other - includes all expenditure functions not included in Instruction or Administration Categories.

* includes the number of students reported on the ADA report submission for month 9, which is the final submission for the fiscal year

OTHER INFORMATION

SOUTH TIPPAAH SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2014	2013*	2012*	2011*
Revenues:				
Local sources	\$ 3,829,211	\$ 3,603,905	\$ 3,626,959	\$ 3,401,947
State sources	13,945,068	13,736,732	13,131,479	12,372,251
Federal sources	131,271	134,936	119,452	122,905
Total Revenues	17,905,550	17,475,573	16,877,890	15,897,103
Expenditures:				
Instruction	11,456,183	10,885,199	10,490,249	8,289,638
Support services	6,797,430	6,284,087	5,585,206	4,980,943
Noninstructional services	275,365	276,412	281,921	244,486
Facilities acquisition and construction	345,955	717,389	185,801	-
Total Expenditures	18,874,933	18,163,087	16,543,177	13,515,067
Excess (Deficiency) of Revenues over (under) Expenditures	(969,383)	(687,514)	334,713	2,382,036
Other Financing Sources (Uses):				
Notes issued	290,000	130,293	103,919	-
Insurance recovery	-	13,827	436	-
Sale of transportation equipment	3,349	985	-	-
Sale of other property	-	200	-	592
Operating transfers in	110,365	66,281	9,402	14,149
Operating transfers out	(110,099)	(46,611)	(162,051)	(198,289)
Total Other Financing Sources (Uses)	293,615	164,975	(48,294)	(183,548)
Net Change in Fund Balances	(675,768)	(522,539)	286,419	2,198,488
Fund Balances:				
July, 1	3,320,552	3,843,091	3,556,672	1,358,184
June, 30	\$ 2,644,784	\$ 3,320,552	\$ 3,843,091	\$ 3,556,672

*SOURCE - PRIOR YEAR AUDIT REPORTS

SOUTH TIPPAAH SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2014	2013*	2012*	2011*
Revenues:				
Local sources	\$ 4,645,829	\$ 4,383,113	\$ 4,423,272	\$ 4,183,631
Intermediate sources	18,000	19,405	-	-
State sources	14,759,284	14,532,017	13,964,084	13,326,590
Federal sources	3,320,845	3,351,632	3,829,024	5,590,971
Total Revenues	22,743,958	22,286,167	22,216,380	23,101,192
Expenditures:				
Instruction	13,665,448	13,119,330	13,072,256	12,680,998
Support services	7,774,652	7,191,828	6,863,744	6,390,223
Noninstructional services	1,753,815	1,710,090	1,501,804	1,437,238
Facilities acquisition and construction	345,955	717,389	1,122,782	1,027,621
Debt service:				
Principal	126,909	139,499	170,770	251,154
Interest	7,699	6,644	9,470	17,424
Other	1,030	668	500	1,500
Total Expenditures	23,675,508	22,885,448	22,741,326	21,806,158
Excess (Deficiency) of Revenues over (under) Expenditures	(931,550)	(599,281)	(524,946)	1,295,034
Other Financing Sources (Uses):				
Bonds and notes issued	290,000	130,293	121,176	-
Insurance recovery	-	13,827	436	-
Payment to escrow agent	(135,977)	-	-	-
Sale of transportation equipment	3,349	985	-	-
Sale of other property	345	360	100	1,017
Operating transfers in	220,464	112,892	174,847	212,438
Payments held by escrow agents	135,977	-	-	-
Operating transfers out	(220,464)	(112,892)	(174,847)	(212,438)
Total Other Financing Sources (Uses)	293,694	145,465	121,712	1,017
Net Change in Fund Balances	(637,856)	(453,816)	(403,234)	1,296,051
Fund Balances:				
July 1,	4,535,745	4,996,502	5,401,988	4,098,424
Increase (Decrease) in inventory	(3,499)	(6,941)	(2,252)	7,513
June, 30	\$ 3,894,390	\$ 4,535,745	\$ 4,996,502	\$ 5,401,988

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Superintendent and School Board
South Tippah School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Tippah School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the South Tippah School District's basic financial statements, and have issued our report thereon dated November 4, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the school district's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the South Tippah School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

South Tippah School District's Response to Finding

South Tippah School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. South Tippah School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
November 4, 2014

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Superintendent and School Board
South Tippah School District

Report on Compliance for Each Major Federal Program

We have audited South Tippah School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on South Tippah School District's major federal program for the year ended June 30, 2014. The South Tippah School District's major federal program is identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for South Tippah School District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination on the school district's compliance.

Opinion on Each Major Federal Program

In our opinion, the South Tippah School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the South Tippah School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered South Tippah School District's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
November 4, 2014

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
STATE LAWS AND REGULATIONS

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
STATE LAWS AND REGULATIONS

Superintendent and School Board
South Tippah School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Tippah School District as of and for the year ended June 30, 2014, which collectively comprise the South Tippah School District's basic financial statements and have issued our report thereon dated November 4, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to ensure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$10,851 of classroom supply funds carried over from previous years.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to ensure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

The results of our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies, the Office of the State Auditor and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
November 4, 2014

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

South Tippah School District

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued: Unmodified.
2. Internal control over financial reporting:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? None reported.
3. Noncompliance material to financial statements noted? No.

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? None reported.
5. Type of auditor's report issued on compliance for major programs: Unmodified.
6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No.
7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553 & 10.555	Child Nutrition Cluster
8. Dollar threshold used to distinguish between type A and type B programs: \$300,000.
9. Auditee qualified as low-risk auditee? Yes.

Section II: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported under *Government Auditing Standards*.

Section III: Findings and Questioned Costs for Federal Awards

The results of our tests did not disclose any findings and questioned costs related to the federal awards.